



Legislative Fiscal Bureau

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TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: State Tax and Fee Modifications Included in the Governor's 2015-17 Budget Recommendations

The attached table provides a brief description of each state tax and fee modification proposed in the Governor's version of the budget (AB 21/SB 21). The table consists of three parts: (1) tax increases and decreases; (2) fee increases and decreases; and (3) enhanced collection measures. Each entry in the table includes the agency name, the Legislative Fiscal Bureau's budget document item that describes the change in more detail, a summary of the proposed modification, and an estimate of the revenue change due to the tax or fee modification.

In the table, GPR represents general fund revenue. Revenue to a program revenue account is signified by PR and SEG signifies revenue to a segregated fund. "Unknown" means that no estimate of the revenue impact is available at this time.

In summary, the changes included in the Governor's budget would increase net taxes by \$39,350,000 (\$12,950,000 in 2015-16 and \$26,400,000 in 2016-17) and would increase net fees by \$8,613,000 (\$4,716,400 in 2015-16 and \$3,896,600 in 2016-17). In addition, it is estimated that measures included in AB 21 to enhance the collection of current taxes would generate an additional \$124,710,000 (\$35,270,000 in 2015-16 and \$89,440,000 in 2016-17).

The sum of these revenue changes for the 2015-17 biennium follows:

Net Tax and Fee Changes

	<u>2015-16</u>	<u>2016-17</u>	<u>Total</u>
GPR	\$13,821,900	\$27,271,900	\$41,093,800
PR	1,119,200	783,800	1,903,000
SEG	<u>2,725,300</u>	<u>2,240,900</u>	<u>4,966,200</u>
TOTAL	\$17,666,400	\$30,296,600	\$47,963,000

Enhanced Collection Measures

	<u>2015-16</u>	<u>2016-17</u>	<u>Total</u>
GPR	\$35,270,000	\$89,440,000	\$124,710,000

	2015-16	2016-17	Fund Source
TAX INCREASES			
GENERAL FUND TAXES			
Historic Rehabilitation Tax Credit. [Page 179, Item 10, and Page 180, Item 11]. Eliminate the state supplement to the federal historic rehabilitation tax credit for qualified rehabilitated buildings (constructed before 1936) for tax years beginning after December 31, 2014. In addition, make the following changes regarding the state supplement to the federal historic rehabilitation credit for certified historic structures (buildings with historical significance): (a) limit the amount of credits that may be certified by the Wisconsin Economic Development Corporation (WEDC) to \$10 million per year; (b) require WEDC to consider the number of jobs that would be created, and other economic impacts, when determining whether to certify a project for the credit; (c) require credit claimants to repay some or all of the credit if the project creates fewer jobs than projected or if the property is sold or otherwise ceases to be eligible investment property within five years; and (d) clarify that governmental entities could not claim, and then transfer, the credit. These provisions would result in increased tax revenues estimated at \$7.8 million in 2016-17, \$15.6 million in 2017-18, and approximately \$30 million annually in later years.	\$0	\$7,800,000	GPR
Business Development Credit. [Page 176, Item 9]. Sunset the refundable jobs tax credit and the nonrefundable economic development credit and, instead, create a refundable business development credit for tax years beginning after December 31, 2015. These changes would result in reduced credit payments estimated at \$2.3 million in 2015-16, \$7.5 million in 2016-17, and \$9.0 million annually beginning in 2017-18.	\$2,250,000	\$7,500,000	GPR
Delay 2013 Act 229. [Page 187, Item 3]. Move the effective date of 2013 Act 229 from July 1, 2015, to July 1, 2017. The act would permit retailers to claim bad debt adjustments on behalf of affiliated credit card lenders under specified circumstances.	\$10,700,000	\$11,100,000	GPR
Angel and Early Stage Seed Credits. [Page 183, Item 14]. Set the annual limit on the combined amount of angel and early stage seed investment credits that may be claimed at \$30 million. Under current law, up to \$20.25 million in angel credits and \$20.75 million in early stage seed credits may be claimed per year.	Minimal	Minimal	GPR
SUBTOTAL -- TAXES -- INCREASES	\$12,950,000	\$26,400,000	GPR
TAX DECREASES			
GENERAL FUND TAXES			
Internal Revenue Code (IRC) Update. [Page 174, Item 4]. Update references to the IRC to generally refer to the code in effect on December 31, 2013.	Minimal	Minimal	GPR
Qualified New Business Ventures. [Page 181, Item 12, and Page 182, Item 13]. Make a number of modifications that would expand the types of businesses that could be certified as qualified new business ventures for purposes of the angel and early stage seed investment credits.	Minimal	Minimal	GPR

	2015-16	2016-17	Fund Source
Enterprise Zones. [Page 176, Item 6]. Increase the number of enterprise zones that WEDC may designate from 20 to 30. Businesses that are certified by WEDC and operate in the zones may claim certain tax benefits. No fiscal effect is estimated for this provision in the 2015-17 biennium. However, the administration estimates that credit claims would increase by a total of \$193 million in fiscal years 2017-18 through 2026-27.	Minimal	Minimal	GPR
Sales at Distribution Facilities. [Page 186, Item 2]. Clarify that operators of distribution facilities that sell taxable items on behalf of a third-party seller are not considered retailers for purposes of the sales tax. The third-party seller is responsible for collecting and remitting sales tax on such transactions.	Minimal	Minimal	GPR
Manufacturing and Agriculture Credit Changes. [Page 183, Item 15]. Specify that agricultural property used in calculating the credit would include property assessed as undeveloped land, agricultural forest land, and productive forest land, in addition to property assessed as agricultural property. In addition, allow manufacturers to claim the credit if they have been approved to be classified as a manufacturer by the Department of Revenue (DOR) but will not be listed on the Department's manufacturing roll until January 1 of the following year. Clarify the IRC section that is used to identify allowable expenses when calculating qualified production activities income for purposes of the credit.	Minimal	Minimal	GPR
Angel and Early Stage Seed Credits. [Page 183, Item 14]. Permit claimants of the angel investment credit to transfer the credit to other persons who are subject to state income and franchise taxes or the insurance premiums tax.	Minimal	Minimal	GPR
SUBTOTAL -- TAXES -- DECREASES	Minimal	Minimal	GPR
FEE INCREASES			
CIRCUIT COURTS			
Fee in Forfeiture Actions. [Page 116, Item 3]. Delete current exceptions for paying the \$25 fee in forfeiture actions, which include: (a) prohibitions against smoking, responsibility of persons in charge violations; (b) motor vehicle liability insurance violation; (c) special identification cards for physically disabled violation; or (d) a safety belt use violation. Revenue from the fee is distributed with a portion going to the general fund (\$12.50), the Circuit Court Automation Programs (\$5), and the counties (\$7.50). [See attachment for information regarding the increase in fees for each of the affected violations.]	\$871,900 \$348,800	\$871,900 \$348,800	GPR PR
CORRECTIONS			
Community Corrections Supervision Fees. [Page 125, Item 2]. Delete statutory language authorizing Corrections to set community supervision fees with varying rates and exemptions, and instead authorize Corrections to charge a reasonable fee.	Unknown	Unknown	PR
Interstate Compact Fee. [Page 126, Item 3]. Authorize Corrections to charge an application fee for offender interstate compact transfer applications.	\$375,900	\$375,900	PR

	2015-16	2016-17	Fund Source
ENVIRONMENTAL IMPROVEMENT FUND			
Safe Drinking Water Loan Program Service Fee. [Page 154, Item 7]. Authorize DNR and DOA to establish by rule, and jointly charge and collect service fees for safe drinking water loan program applications, which cover the estimated costs of reviewing and acting upon the application and servicing the financial assistance agreement. The safe drinking water loan program provides financial assistance to municipalities for the planning, design, construction, or modification of public water systems. No estimate of revenues is included in the bill.	Unknown	Unknown	SEG
JUSTICE			
Justice Information System Surcharge. [Page 272, Item 10]. Repeal current exceptions to the \$21.50 justice information system (JIS) surcharge. As a result, the JIS surcharge would be imposed with a fee for the filing or commencement of certain court proceedings related to the following violations: (a) failure to carry proof of vehicle insurance; (b) lack of possession of a special identification card for the physically disabled; and (c) safety belt use. The surcharge is currently imposed with a court fee for the commencement or filing of the following court proceedings: civil, small claims, forfeiture, wage earner, or garnishment actions; an appeal from municipal court; a third party complaint in a civil action; or counterclaim or cross complaints in a small claims action. [See attachment for information regarding the increase in fees for each of the affected violations.]	\$1,499,000	\$1,499,000	PR
NATURAL RESOURCES			
Parks and Forest Admission and Camping Fees. [Page 312, Item 1]. Increase annual state park and forest vehicle admission fees by \$3, and nightly state park and forest camping fees by \$2. Estimate annual increased revenue of \$1.35 million to the parks & \$540,000 to the forestry accounts of the conservation fund.	\$1,890,000	\$1,890,000	SEG
Antique Snowmobile Registration. [Page 320, Item 6]. Specify that antique snowmobile registrations be valid for three years (rather than two) beginning with registrations issued on the effective date of the bill. In addition, specify that there is no fee for a trail use sticker issued for a snowmobile that has a model year that is at least 35 years (rather than 30) earlier than the year in which the trail use sticker is issued. (The bill would make the provisions consistent with other changes made in the 2013 legislative session.) Estimate annual increased trail pass revenues of \$158,000 and decreased registration revenues of \$38,000.	\$120,000	\$120,000	SEG
Ballast Water Discharge Fees. [Page 324, Item 7]. Repeal the December 31, 2015, sunset on ballast water discharge permit fees, making the fees permanent. The fees are deposited in a program revenue appropriation for administration of the ballast water discharge program. DNR issued a general permit for large ships that travel between Great Lakes ports, that regulates the discharge of ballast water into the Great Lakes. A person must pay a \$1,200 application fee for a vessel to be covered by the general permit, and an annual fee of \$345 to be paid upon initial coverage under the permit, and annually thereafter.	\$86,500	\$173,000	PR

	2015-16	2016-17	Fund Source
PUBLIC INSTRUCTION			
BadgerLink Funding. [Page 372, Item 12]. Provide funding above the base level of \$2,596,500 for the service that provides online access to full text newspapers, magazines, reference books, literature, and other print publications for state residents. Provide that funding would be from the universal service fund, which receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$245,300	\$305,700	SEG
WISCONSIN ECONOMIC DEVELOPMENT CORPORATION			
Angel and Early Stage Seed Credits. [Page 183, Item 14]. Increase the fee charged by WEDC when an early stage seed credit (or an angel credit under another provision of the bill) is transferred to another person from 1% of the transferred credit amount to 5%.	Minimal	Minimal	WEDC
WORKFORCE DEVELOPMENT			
Unemployment Insurance Fraud Surcharge. [Page 558, Item 3]. Increase from 15% to 40%, the surcharge on the benefit payments erroneously paid to unemployment insurance claimants relating to fraudulent information provided or withheld (concealment) beginning on the day after publication of the budget act. Surcharge revenues are credited to the segregated unemployment program fund.	\$470,000	\$980,000	SEG
SUBTOTAL -- FEES -- INCREASES	\$5,907,400 (871,900) (\$2,310,200) (\$2,725,300)	\$6,564,300 (871,900) (\$2,396,700) (\$3,295,700)	Total GPR PR SEG
FEE DECREASES			
AGRICULTURE, TRADE AND CONSUMER PROTECTION			
Fertilizer Research Fees. [Page 58, Item 8]. Repeal the following fees, beginning in 2016-17: (a) 27¢ per ton of fertilizer sold or distributed in Wisconsin; and (b) 10¢ per ton of soil or plant additive sold in Wisconsin. Revenue is currently used for fertilizer research projects in the University of Wisconsin System and a University of Wisconsin Extension appropriation for outreach on nutrient and pest management. The repeals would reduce fertilizer research funding by an estimated \$255,600, and UW-Extension outreach by an estimated \$166,300, beginning in 2016-17.	\$0	-\$421,900	PR
Bulk Milk Tanker Licenses. [Page 59, Item 9]. Repeal requirements that trucks engaged in hauling of bulk milk, known as bulk milk tankers, obtain an annual license from DATCP. Under current law, bulk milk tanker license fees are set at \$45 annually by administrative rule. The bill would maintain requirements for bulk milk tankers to hold a permit for hauling Grade A milk; DATCP is generally not authorized to charge haulers fees for Grade A permits.	-\$150,000	-\$150,000	PR

	2015-16	2016-17	Fund Source
CHILDREN AND FAMILIES			
Filing Fee for Voluntary Acknowledgments of Paternity. [Page 112, Item 2]. Eliminate the filing fee to commence certain actions affecting the family for a child for whom paternity has been established by way of a voluntary acknowledgment of paternity. The Department of Children and Families (DCF) indicates the fee is not currently being collected.	Minimal	Minimal	GPR/PR
HEALTH SERVICES			
Health Care Provider Fees for Data Collection. [Page 243, Item 7]. Repeal a provision that requires DHS to assess an annual fee of up to \$75 on health care providers, other than hospitals and ambulatory surgical centers, to fund data collection activities under Chapter 153.	-\$1,033,600	-\$1,033,600	PR
SHARED REVENUE AND TAX RELIEF			
County, Regional, and City Assessment -- Review of Property Assessments by DOR. [Page 405, Item 1]. Repeal the provision under which taxpayers may ask DOR to review board of review decisions and revalue their property and the associated \$100 filing fee, effective December 31, 2016. This item is part of a larger set of changes related to transitioning from municipal property assessment to county, regional, or large city assessment.	\$0	Minimal	PR
TRANSPORTATION			
Initial Issuance of Nonprobationary Driver Licenses. [Page 451, Item 2c]. Modify the fee and valid period for the original licenses issued to persons over 21 moving to Wisconsin and those entitled to a license under a foreign reciprocity agreement from \$18 for a three-year license to \$24 for an eight-year license. Although this represents a decrease in the fee per year from \$6 to \$3, in the biennium DOT projects additional revenues of \$108,600 in 2015-16 and \$217,200 in 2016-17 due to the increase in the up-front amount.	See Text	See Text	SEG
Waiver of Various Fees for Holders of Military Commercial Driver Licenses. [Page 452, Item 3]. Waive the original issuance and renewal fees for a commercial driver license, the original issuance and renewal fees for an "S" endorsement (school bus operation), and the additional \$10 issuance fee applied to any license, endorsement, or instruction permit issued by DOT.	-\$7,400	-\$7,400	SEG
UW SYSTEM			
Telecommunications Services. [Page 463, Item 16]. Delete \$1,054,800 in 2016-17 and the appropriation under the UW System from the universal service fund for telecommunications provided by DOA to UW System campuses. The universal service fund receives its funding through Public Service Commission assessments on annual gross operating revenues from intrastate telecommunications providers, which they can fully recover through pass-through assessments on subscribers.	\$0	-\$1,054,800	SEG
SUBTOTAL -- FEES -- DECREASES	-\$1,191,000 (-\$1,191,000) (\$0)	-\$2,667,700 (-\$1,612,900) (-\$1,054,800)	Total PR SEG

ENHANCED COLLECTION MEASURES

CHILDREN AND FAMILIES Tax Intercept of Delinquent Child Support Fees. [Page 113, Item 5]. Permit DCF to report delinquent payments of child support centralized receipt and disbursement (CR&D) fees to DOR for offset against tax refunds in cases in which the child support payee does not receive services from county child support agencies. Under current law, tax intercept is only used to collect delinquent CR&D fees if the support payee is receiving services from a county child support agency or if the state is a real party in interest.	Minimal	Minimal	PR
REVENUE Expand Auditing Activity. [Page 381, Item 1]. Provide 102.0 positions annually to increase auditing activity and tax collections. The administration estimates that the new positions would cost \$11.8 million GPR in 2015-16 and \$13.6 million GPR in 2016-17, and that the increased audit and tax collection efforts would result in additional tax revenues of \$31.5 million in the first year and \$82.0 million in the second year.	\$31,500,000	\$82,000,000	GPR
Expand Statewide Debt Collection. [Page 382, Item 2]. Provide 11.0 revenue agent positions in each year for the statewide debt collection program to improve the collection of debts owed to state agencies and local governments. DOR charges a fee for its collection activities, which is deposited into a program revenue appropriation account. At the end of each fiscal year, any remaining funds in the account are transferred to the general fund. DOR estimates that the new positions would generate additional fees of \$4.6 million in 2015-16 and \$8.4 million in 2016-17. After deducting the cost of the new positions (\$0.8 million in 2015-16 and \$0.9 million in 2016-17), it is estimated that the remaining fee revenue (\$3.8 million in 2015-16 and \$7.4 million in 2016-17) would transfer to the general fund.	\$3,770,000	\$7,440,000	GPR
Sales Tax Nexus Provisions. [Page 185, Item 1]. Add certain provisions of the administrative code regarding the definition of "retailer engaged in business in this state" to the statutes, and clarify the existing statutory definition. Retailers that are engaged in business in Wisconsin under the nexus statutes must collect and remit the sales or use tax on their taxable sales to Wisconsin residents.	Minimal	Minimal	GPR
Tax Intercept Program. [Page 383, Item 4]. Specify that no person has any right to, or interest in, any overpayment, refundable credit, or refund, including any interest allowed, until setoff against debts owed to states, localities, the Internal Revenue Service (IRS), and tribes have been satisfied. The administration indicates that this change is necessary to maintain the existing hierarchy of debt offsets. Without this change, certain state tax liabilities would be moved behind debts owed to the IRS in the hierarchy.	Minimal	Minimal	GPR
Auctions of Delinquent Taxpayer Property. [Page 384, Item 5]. Allow agents of DOR, or third-parties engaged by such agents, to sell personal property that has been seized for nonpayment of income or franchise taxes in any county. Specify that the sale need not occur between the hours of 9 a.m. to 5 p.m. and that during the sale the property does not have to be in view of those attending the sale. These changes would allow internet sales of such property. The sales would have to be made in the manner that DOR believes would bring the highest net bid or price.	Minimal	Minimal	GPR

Debt Collection Agreements with Counties. [Page 384, Item 6]. Provide that a county board may enter into a written agreement with DOR to have the Department collect any amount owed to the county that is more than 90 days past due. Require DOR to charge each debtor, whose debt is subject to collection by the Department, a collection fee (rather than administrative expenses) to be credited to DOR's PR appropriation for debt collection fees. These changes are intended to clarify that DOR is not subject to the Wisconsin Consumer Act when collecting debts owed to the state or to local units of government.	Minimal	Minimal	GPR
SUBTOTAL -- ENHANCED COLLECTION MEASURES	\$35,270,000 Minimal	\$89,440,000 Minimal	GPR PR

Attachment

ATTACHMENT

Forfeiture Action and Justice Information System Fee Increases Contained in AB 21/SB 21

<u>Offense</u>	<u>Statutory Reference</u>	<u>Current Total Cost</u>	<u>AB 21/SB 21</u>		
			<u>Forfeiture Action Fee</u>	<u>Justice Information Fee</u>	<u>Total Cost</u>
Smoking in an enclosed place *	101.123(2)	\$189.50 to \$339.50	\$25.00		\$214.50 to \$364.50
Person in charge allowing smoking in violation of statute after previous warning *	101.123(2m)(b) to (d)	189.50	25.00		214.50
Special identification for the physically disabled, failure to carry a statement of physical disability	343.51(1m)(b) and 343.52(1r)	10.00	25.00	\$21.50	56.50
Operating a motor vehicle without proof of insurance	344.62(2)	10.00	25.00	21.50	56.50
Mandatory seatbelts required for drivers, passengers and persons at least four years of age	347.48(2m)	10.00	25.00	21.50	56.50

* Current cost already includes the \$21.50 justice information surcharge.